

## Press release

investor relations

### TenCate records 4% organic revenue growth in 2014

*Impairment of € 82 million, mainly at TenCate Advanced Armour*

- Organic revenue growth of 4% for the full year 2014; 9% in the second half of 2014
- Growth in composites, synthetic turf yarns and industrial protective fabrics
- Expected increase in defense revenues failed to materialise as a result of postponed deliveries of armour orders (vehicle armour)
- Downward pressure on results due to a substantial operating loss at TenCate Advanced Armour, to lower margins at TenCate Geosynthetics and to increased marketing costs
- EBITA\* € 53.3 million (2013: € 54.4 million); EBITA margin\* 5.1% (2013: 5.4%)
- Net profit before exceptional items € 24.1 million (2013: € 23.2 million)
- Net result (IFRS) – € 45.7 million (2013: € 19.0 million) as a result of exceptional items, impairments at TenCate Advanced Armour and Xennia Technology
- Positive cash flow of € 1.9 million (2013: € 42.6 million); increase in working capital as a result of strong revenue growth in the fourth quarter due in part to continuing demand for synthetic turf yarns
- Net debt € 215.5 million (2013: € 188.3 million)
- Net debt / EBITDA ratio 2.57 (2013: 2.27)
- TenCate expects 2015 organic growth in revenues similar to that in 2014
- Dividend proposal unchanged at € 0.50 per share (optional stock dividend)

2014 H2	2013 H2**	Key figures (in € million)	2014	2013**
544.0	491.5	Revenues	1,041.6	1,002.4
+ 9%	0%	Organic growth in revenues	+ 4%	– 3%
44.9	42.6	EBITDA*	84.6	89.1
29.0	25.6	EBITA*	53.3	54.4
5.3%	5.2%	EBITA-margin*	5.1%	5.4%
14.1	10.2	Net result before exceptional items	24.1	23.2
0.53	0.38	Earnings per share before exceptional items (EUR)	0.91	0.88
		Dividend (EUR)	0.50	0.50
– 55.7	6.0	Net result (IFRS)	– 45.7	19.0
– 2.10	0.22	Earnings per share after exceptional items (IFRS) (EUR)	– 1.72	0.72
		EBITA as a percentage of average net invested capital	7.1%	7.1%
		Investments in fixed assets	24.8	14.4
		Net interest-bearing debt	215.5	188.3
		Net debt / EBITDA	2.57	2.27
		FTE excluding temporary personnel as of 31 December 2014	4,345	4,234

\* EBITDA, EBITA and EBITA margin have been adjusted in this press release to take account of exceptional items, unless specifically stated otherwise

\*\* 2013 numbers have been adjusted for comparison purposes

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**Loek de Vries, President and CEO:** "TenCate revenues have developed favourably from the second quarter of 2014 onwards. Fourth quarter revenues increased organically by 15%, compared to the fourth quarter of 2013. The latter can be attributed to the demand from the United States for TenCate Defender™ M products, revenue growth in composites and armour products and sustained demand for synthetic turf yarns. For the full year 2014 TenCate Grass, with 11%, showed the highest organic revenue growth after TenCate Advanced Composites, with 16%.

In the second half of the year defense revenues rose as expected, compared to the first half of 2014. TenCate Advanced Armour, however, did not keep pace with this trend. Although in 2014 new, multi-year supply agreements were concluded for a total amount of more than US\$ 100 million, delivery of orders was slow to start. The timing of deliveries remains uncertain; it is expected that half of the total contract volume will be delivered after 2015. The historical figures and revised forecasts for this market group in particular prompted an impairment charge. This measure will have no impact on the competitive position of this market group. TenCate remains well positioned in this market. The development of the TenCate ABDS™ active blast countermeasure system is proceeding according to planning.

The negative results of TenCate Advanced Armour had an adverse effect on the profitability of the TenCate group as a whole. Measures are being taken to sustainably reduce the cost base. The Advanced Armour group has had to deal with sharp fluctuations in deliveries, and will increase the flexibility of its costs significantly. On balance this will considerably reduce the negative results in 2015.

In the course of 2015 a start will be made with the delivery of army uniforms based on TenCate Defender™ M material within the multi-year agreement that was signed in October 2014 with a new customer outside the United States.

The sale of TenCate Enbi was agreed at the beginning of 2015. This transaction is expected to be closed in the first half of 2015, thus completing the Fix-It / Exit strategy.

TenCate expects to achieve growth in 2015 that is similar to that in 2014. This growth results from an increase in sales and marketing efforts, an improvement in market conditions of the synthetic turf activities, growth in protective fabrics and an acceleration of growth of aerospace composites. In recent years, TenCate has focused strongly on technology development and in the years ahead we must reap the benefits."

## Sectors

*Unless stated otherwise, the amounts mentioned in this press release relate to the result adjusted for exceptional items. These exceptional items are explained on page 6.*

### Advanced Textiles & Composites

2014 H2	2013 H2	Advanced Textiles & Composites (in € million)	2014	2013
<b>228.4</b>	199.4	Revenues	<b>435.3</b>	427.8
<b>12.6</b>	11.9	EBITA	<b>27.2</b>	26.0
<b>5.5%</b>	6.0%	EBITA margin	<b>6.2%</b>	6.1%
<b>8.1</b>	4.9	Investments in (in-)tangible fixed assets	<b>13.7</b>	7.8
<b>4.8</b>	5.0	Depreciation	<b>9.4</b>	10.3
<b>3.5</b>	2.4	Amortisation	<b>6.7</b>	6.3
<b>269.4</b>	284.6	Net invested capital at year-end	<b>269.4</b>	284.6
<b>1,592</b>	1,542	FTE excluding temporary personnel at year-end	<b>1,592</b>	1,542

The Advanced Textiles & Composites sector recorded an organic increase in revenues of 2% to € 435.3 million in 2014 (2013: – 8%, € 427.8 million). EBITA improved to € 27.2 million (2013: € 26.0 million). The EBITA margin amounted to 6.2% (2013: 6.1%).

This sector's increase in revenues stems in particular from composites for aerospace and automotive applications in the TenCate Advanced Composites market group. An increase was also recorded in the sales of industrial protective fabrics at the TenCate Protective Fabrics market group. Defense-related revenues recovered from the second quarter onwards, but for the year 2014 as a whole revenues in this end market for the Advanced Textiles & Composites sector were 12% lower than in 2013. In the fourth quarter the sector's defense-related revenues rose strongly at both TenCate Protective Fabrics and TenCate Advanced Armour.

TenCate Protective Fabrics recorded unchanged annual revenues, with growth in the fourth quarter making up for the shortfall in the first half of the year. The sales of industrial protective fabrics (TenCate Tecasafe® and TenCate Tecapro®) grew by 17%. In the fourth quarter, TenCate benefited from strong catch-up demand from the United States for TenCate Defender™ M material for army uniforms. After a period of intensive marketing outside the United States, a multi-year agreement was signed in October 2014 for the supply of protective uniforms for national armed forces based on TenCate Defender™ M. Deliveries of these uniforms will start in the course of 2015.

The process innovation relating to inkjet technology reached its marketing phase. In 2014, TenCate Outdoor Fabrics made a start with digitally-printed sun awning fabrics and tent cloth.

The TenCate Advanced Composites market group recorded organic revenue growth of 16% in 2014. The increased build rate of the latest generation of commercial aircraft, with an increasing share of TenCate composites, is the driver behind this growth. In the automotive market a major success was recorded with the order for the exclusive supply of thermoset composite material for the Alfa Romeo 4C sports car. High revenue growth was also achieved in composite materials for sporting goods.

TenCate Advanced Armour saw its revenues decline organically by 17%. Although major new supply agreements were entered into in 2014, the deliveries relating to various agreements were slow to start. Growth was achieved in the law enforcement market of police forces and security services.

The development of the TenCate ABDS™ active blast countermeasure system is proceeding according to planning in a series of test phases in collaboration with the U.S. Army Research, Development and Engineering Command (RDECOM). Under the Cooperative Research and Development Agreement (CRADA), the U.S. Army Tank Automotive Research, Development and Engineering Center is in charge of the second phase of the technology evaluation programme, which is intended to demonstrate that the protection offered is both effective and robust.

The 2014 profit growth of the Advanced Textiles & Composites sector was held back considerably by the substantial operating loss at TenCate Advanced Armour.

## Geosynthetics & Grass

2014 H2	2013 H2	Geosynthetics & Grass (in € million)	2014	2013
279.5	261.3	Revenues	538.7	508.2
12.5	12.3	EBITA	23.5	27.3
4.5%	4.7%	EBITA margin	4.4%	5.4%
3.7	3.4	Investments in (in-)tangible fixed assets	7.4	4.9
9.5	10.6	Depreciation	18.8	21.5
1.7	1.8	Amortisation	3.4	4.2
400.0	362.1	Net invested capital at year-end	400.0	362.1
2,079	2,012	FTE excl. temporary personnel at year-end	2,079	2,012

The revenues of the Geosynthetics & Grass sector grew organically by 7% to € 538.7 million in 2014 (2013: € 508.2 million). EBITA declined to € 23.5 million (2013: € 27.3 million). The EBITA margin amounted to 4.4% (2013: 5.4%).

In the reporting year, TenCate Geosynthetics achieved 4% organic revenue growth, despite the continuing pressure on government budgets that limited the market for geotextiles for infrastructure. TenCate Geosynthetics recorded growth in the United States. Midway through the year, revenues in Asia recovered cautiously.

TenCate Grass recorded organic revenue growth of 11% in 2014. This growth was driven by a good revenue trend from both synthetic turf yarns and synthetic turf systems for sports and landscaping. In the United States, TenCate Grass successfully launched the GreenFields® brand amid growing revenues. European demand for sports pitches remained stable. The replacement market continued to show healthy growth, particularly in the United States and Europe.

The profitability of the Geosynthetics & Grass sector was depressed. At TenCate Geosynthetics the result declined due to restraint in the market for infrastructure projects. The result of TenCate Grass developed favourably, with increased marketing costs.

## Other

2014 H2	2013 H2	Other (in € million)	2014	2013
36.1	30.8	Revenues	67.6	66.4
3.9	1.4	EBITA	2.6	1.1
1.0	1.3	Investments in (in-)tangible fixed assets	3.7	1.7
1.6	1.4	Depreciation	3.1	2.9
1.3	1.2	Amortisation	2.6	2.5
674	680	FTE excluding temporary personnel at year-end	674	680

In the sector Other (Xennia Technology, TenCate Enbi and Holding & Services) revenues rose in 2014 by 2% to € 67.6 million (2013: – 3%, € 66.4 million). EBITA increased to € 2.6 million (2013: € 1.1 million).

The revenues of TenCate Enbi grew in 2014, compared to 2013. In January 2015 an agreement was reached with American private equity firm, Platinum Equity on the sale of TenCate Enbi. This transaction is expected to be closed in the first half of 2015.

Within Xennia Technology the composition of revenues changed considerably in 2014, as a result of the strategic focus on inks, in particular for the textile industry. On balance, revenues remained unchanged.

### Impairment and other exceptional items

On balance the amount of exceptional items before tax was – € 77.1 million (2013: – € 5.9 million).

The largest exceptional item relates to an impairment charge of in total € 82.2 million, which primarily concerns TenCate Advanced Armour and Xennia Technology. The impairment is the result of revised forecasts. These are in part based on historical results.

The exceptional items also include a gain of € 7.9 million as a result of changes in the Dutch pension scheme.

### **Other financial information**

In 2014, investments were significantly higher than in the previous year, but remained below the level of depreciation: investments in fixed assets amounted to € 24.8 million (2013: € 14.4 million), depreciation was € 31.3 million (2013: € 34.7 million).

The increase of revenues, in particular in the fourth quarter, led to an organic increase in the net working capital of € 32.8 million by the end of December 2014 (2013: € 8.3 million).

On balance, TenCate generated a positive cash flow from operating and investing activities of € 1.9 million (2013: € 42.6 million). Net debt amounted to € 215.5 million at the year end (2013: € 188.3 million). The € 27.2 million rise is largely attributable to the changed exchange rate between US dollar and euro.

The ratio net debt / EBITDA was 2.57 (2013: 2.27). Here too the dollar exchange rate had an upward effect.

At the end of 2014, the number of employees at TenCate was 4,345 FTEs (2013: 4,234 FTEs). The increase occurred mainly at the activities for composites and synthetic turf.

### **Dividend proposal**

For 2014, TenCate will propose to its shareholders a distribution equal to the 2013 dividend of € 0.50 per € 2.50 par value share. The dividend will be payable at the shareholders' discretion in cash or in shares.

### **Outlook for 2015**

TenCate expects for 2015 organic revenue growth similar to that in 2014. The highest growth is expected at TenCate Advanced Composites, at TenCate Grass and at TenCate Protective Fabrics.

Revenue growth will lead to an improvement in profitability as a result of the revenue mix and of higher efficiency. Restructuring at TenCate Advanced Armour will reduce costs.

Investments are expected to be around the level of depreciation in 2015.

### **Financial objectives**

Within the published financial objectives, priority will be given to earnings growth. For the medium term, TenCate aims for an average annual EBITA-growth of at least 10% while maintaining its target for the return (EBITA) on net invested capital of at least 15%.

**Royal Ten Cate**  
**Almelo, the Netherlands, Friday, 20 February 2015**

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### **For further information:**

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**Royal Ten Cate** (TenCate) is a multinational company that combines textile technology with chemical processes and material technology in the development and production of functional materials with distinctive characteristics. TenCate products are sold throughout the world.

Systems and materials from TenCate come under four areas of application: safety and protection; aviation and aerospace; infrastructure and the environment; sport and recreation. TenCate occupies leading positions in protective fabrics, composites for aviation and aerospace, antiballistics, geosynthetics and synthetic turf. TenCate is listed on Euronext Amsterdam (AMX).



## KEY FIGURES

2nd Half Year			January-December		
2014	2013 <sup>*)</sup>	in millions of euros	2014	2013 <sup>*)</sup>	
<b>Consolidated Profit and Loss account <sup>1)</sup></b>					
544.0	491.5	Revenues	1041.6	1002.4	4%
44.9	42.6	EBITDA	84.6	89.1	-5%
29.0	25.6	EBITA	53.3	54.4	-2%
5.3%	5.2%	EBITA-margin	5.1%	5.4%	-6%
22.5	20.2	EBIT	40.6	41.4	-2%
-55.7	6.0	Net result	-45.7	19.0	
14.1	10.2	Net result before exceptional items	24.1	23.2	4%
<b>Consolidated Balance Sheet</b>					
710.1	707.4	Net invested capital year-end	710.1	707.4	0%
215.5	188.3	Net interest-bearing debt year-end	215.5	188.3	14%
<b>Consolidated Cash Flow</b>					
32.7	45.7	Cash flow from operating activities	27.3	75.1	
-14.4	-6.5	Cash flow from investing activities	-25.4	-32.5	
18.3	39.2	Cash flow from operating and investing activities	1.9	42.6	
<b>Outstanding shares (x 1,000)</b>					
		Number of outstanding shares at year-end	27,089	26,791	1%
		Weighted average number of outstanding shares (before dilution)	26,588	26,225	1%
		Weighted average number of outstanding shares (after dilution)	26,720	26,366	1%
<b>Per-share data</b>					
-2.10	0.22	Net result	-1.72	0.72	
0.53	0.38	Net result before exceptional items	0.91	0.88	3%
-2.08	0.23	Diluted net result	-1.71	0.72	
<b>Employees</b>					
4,345	4,234	FTE ex temporary personnel at year-end	4,345	4,234	3%
758	753	of which in the Netherlands	758	753	1%

<sup>1)</sup> EBITDA, EBITA and EBIT before exceptional items

<sup>\*)</sup> Adjusted for comparison purposes

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

2nd Half Year		in millions of euros	January-December	
2014	2013 <sup>*)</sup>		2014	2013 <sup>*)</sup>
544.0	491.5	Revenues	1,041.6	1,002.4
440.7	396.3	Cost of sales	838.7	801.9
103.3	95.2	Gross margin	202.9	200.5
39.2	35.2	Selling costs	76.4	70.6
16.0	9.9	Research and development costs	26.9	22.3
31.2	35.8	General management costs	64.6	72.1
71.5	-	Goodwill impairment	71.5	-
-54.6	14.3	Operating result	-36.5	35.5
-4.0	-5.0	Net financial expenses	-8.6	-10.0
-58.6	9.3	Result before profit tax	-45.1	25.5
2.5	-3.8	Profit tax	-1.4	-8.5
0.4	0.2	Net result Associates and Joint Ventures	0.4	0.1
-	0.3	Non-controlling interest	0.4	1.9
<b>-55.7</b>	<b>6.0</b>	<b>Net result TenCate (Shareholders of the Company)</b>	<b>-45.7</b>	<b>19.0</b>
		<i>Before exceptional items:</i>		
22.5	20.2	Operating result	40.6	41.4
18.5	15.2	Result before profit tax	32.0	31.4
-4.8	-5.0	Profit tax	-8.7	-9.7
<b>14.1</b>	<b>10.2</b>	<b>Net result TenCate (Shareholders of the Company)</b>	<b>24.1</b>	<b>23.2</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in millions of euros	2014	2013 <sup>*)</sup>
<b>Cash flow from operating activities</b>		
Result after profit tax	-46.1	17.1
<i>Adjustments for:</i>		
Depreciation and amortisation	44.0	47.7
Impairments	82.2	-
Net financial expenses	-0.2	0.7
Profit tax	-10.7	-4.2
Changes in working capital	-33.8	13.7
Changes in provisions and pension liabilities	-10.0	-1.2
Other	1.9	1.3
Net cash flow from operating activities	27.3	75.1
<b>Cash flow from investing activities</b>		
Investments in intangible and tangible fixed assets	-24.8	-14.4
Acquisitions of subsidiaries	-0.2	-18.0
Other	-0.4	-0.1
Net cash flow from investing activities	-25.4	-32.5
<b>Cash flow from financing activities</b>		
Net drawing of long-term debts	-3.3	-20.2
Dividend paid	-6.8	-7.6
Exercise of share options and repurchase own shares	-0.3	1.0
Net cash flow from financing activities	-10.4	-26.8
Change in cash and cash equivalents	<b>-8.5</b>	<b>15.8</b>

<sup>\*)</sup> Adjusted for comparison purposes

## CONDENSED BALANCE SHEET

in millions of euros	31 December 2014	31 December 2013 <sup>*)</sup>
<b>Non-current assets</b>		
Intangible assets	207.0	267.1
Tangible fixed assets	151.5	165.6
Financial fixed assets	55.4	47.4
Total non-current assets	413.9	480.1
<b>Current assets</b>		
Inventories	249.5	222.2
Trade and other receivables	162.4	144.1
Cash and cash equivalents	36.4	21.6
Assets held for sale	34.3	-
Total current assets	482.6	387.9
Total assets	896.5	868.0
<b>Group equity</b>		
Total shareholders' equity	448.2	474.3
Non-controlling interest	-0.5	-1.0
Group equity	447.7	473.3
<b>Non-current liabilities</b>		
Long-term debts	213.3	195.1
Pension liabilities	30.7	24.1
Provisions	10.4	9.9
Deferred profit tax liabilities	3.6	7.5
Total non-current liabilities	258.0	236.6
<b>Current liabilities</b>		
Short-term debts and repayment long-term debts	38.6	14.8
Trade and other payables	138.5	137.8
Provisions and profit tax liabilities	4.1	5.5
Liabilities held for sale	9.6	-
Total short-term debts	190.8	158.1
Total liabilities	448.8	394.7
Total group equity and liabilities	896.5	868.0

<sup>\*)</sup> Adjusted for comparison purposes

## CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

in millions of euros	2014	2013
Balance at 1 January	473.3	455.3
Changes:		
Result after profit tax	-46.1	17.1
Currency translation differences	34.7	-11.4
Hedging result	0.9	2.3
Actuarial results	-9.5	13.6
Dividend to shareholders	-6.8	-7.6
Share-based payment transactions	1.7	1.6
Issue of repurchased shares	5.4	1.0
Repurchase of own shares	-5.7	-
Changes in non-controlling interest	-0.2	1.4
Balance at 31 December	447.7	473.3